Site Selection Criteria and Search Strategies

Overview:

Site search and selection is a major element of the process of creating a supportive housing project in which units of housing are being developed. With some exceptions, it is impossible to seek permanent financing and community support until the site is identified and site control has been secured. Prior to initiating a site search, it is important to first develop the project concept, including defining the site and configuration requirements for the proposed supportive housing project. The site selection process is most successful when it is a methodical search for the site that best meets established criteria, including size, location, proximity to services and price — factors that will help ensure the project fulfills the needs of future tenants. However, in many situations, a thorough and careful site search may not be possible. The circumstances that can impact a site search include:

- An inadequate inventory of available and appropriate sites in the community
- A very hot real estate market and competition from for-profit developers with large amounts of upfront capital
- A limited funding opportunity that doesn’t provide adequate time to conduct a thorough site search
- A site becomes available that offers cost efficiency, political expediency, and/or other factors that outweigh its deficiencies

Regardless of the challenging circumstances that can influence the site search and selection process, the primary components of the site selection process include:

Establishing Site Selection Criteria:

- Scale
- Housing type and construction
- Location
- Acquisition or lease costs
- Zoning considerations
- Community acceptance

Engaging in the Site Search:

- Exploring diverse potential sources of sites
- Using a real estate broker
- Conducting a site search independently
Establishing Site Selection Criteria

Prior to initiating the site search, or while reviewing an opportunity to acquire a site, it is essential to carefully define the appropriate criteria for the proposed project by considering the following:

Scale
The scale or size of the proposed project should relate to the level of need for the housing identified, as well as to the capacity of the organization to develop and/or manage the property. Scale also should be “contextual,” meaning the project should be consistent with the height and density of the surrounding buildings. Determining the number of units also could be based on the degree of community support for the project. The project architect can help determine the maximum allowable development area (based on zoning and floor area ratios), as well as the appropriate scale for the identified neighborhood.

Housing Type and Construction Approach
The type of housing to be built is a key siting criteria, and different approaches may lend themselves best to different neighborhood locations. For instance, a development model of scattered-site, one- and two-family houses may work best in a low-density neighborhood, whereas larger projects using multi-unit buildings or commercial hotels are generally only available in urban locations.

The construction approach — new construction versus rehabilitation — also will help guide the site search. Funding sources sometimes dictate this choice, which may be restricted to one approach. Construction costs are another important consideration, with rehabilitation costs generally lower than new construction (unless unusual building conditions are present or historic preservation standards are required). New construction opportunities will be limited to neighborhoods that have available (and affordable) vacant land or substandard buildings that can be demolished, and any demolition costs effectively increase the acquisition costs. Choosing a rehabilitation development strategy would direct the site search to locations where there are vacant or partially or fully occupied buildings. The challenges, costs and inevitable delays of relocating existing tenants should be factored into the decision.

Location
As with all real estate decisions, location is critical in identifying an appropriate site for a supportive housing development, and each of the following factors must be evaluated:

- **Public transportation** – Sites should have good access to public transportation options that serve important destinations for the tenants, such as supportive services providers, employment, health care, shopping and recreation. Many tenants will not be able to afford private transportation, so public transit becomes a necessity. In addition, proximity to good public transportation may be a requirement or provide a competitive edge for funding applications.

- **Employment opportunities** – Sites should have reasonable access to employment opportunities and job training. While these opportunities may not be available in the immediate neighborhood, they should be accessible through public transportation, and within reasonable commuting distance.
Neighborhood amenities — Projects should be located in neighborhoods that have key residential amenities, such as affordable shopping (especially supermarkets), public libraries, post offices, banks, parks, open space and recreational facilities. This usually means siting housing in traditional residential neighborhoods, and not in commercial, manufacturing or warehousing districts that typically lack such amenities. Proximity to neighborhood amenities may be a requirement or provide a competitive edge for funding applications.

Community-based services — It is critical that supportive housing tenants have easy access to supportive services available in the community, especially to service programs with established, formal linkages. Depending upon the project’s target population, services related to substance use and recovery, case management, crisis intervention, parenting programs and health clinics, Tenants may need health clinics on an ongoing or intermittent basis. If not located in the immediate neighborhood, such services should be easily accessible by public transportation.

Day care — If the planned project will house families with young children, day care services must be available in the neighborhood or easily accessible near major employment centers. Lack of access to quality day care will frustrate parents who are working, participating in job training or seeking employment.

Public schools and related programs — For projects serving families, the sites should be in close proximity to public education resources such as public schools, public or private pre-schools, or Headstart programs, school readiness programs, and after-school enrichment and recreation programs. For all target populations, easy access to community colleges, vocational programs and other higher educational opportunities are important.

Security — If possible, the site should not be in an area that has a high crime rate, since supportive housing tenants may be especially vulnerable to victimization. Sites also should abide by the principles of “defensible space,” which suggests low-rise buildings and open site designs avoid hidden spaces that are conducive to crime (e.g., playgrounds or courtyards screened from public view).

Acquisition or Lease Costs
The cost of acquiring or leasing a development site may be the overriding consideration for selecting a property. Many public funding programs have a maximum acquisition or lease cost (total or per unit caps) that must be considered during the site search. The allowable costs will often limit the search to those communities that have lower real estate prices. Most public funders, and all private lenders, will likely require that the purchase price not exceed the appraised value of the property.

Before initiating the site search, it is also critical to determine whether the funding sources’ preferences lean toward purchase or lease. Some public agencies do not have capital available to acquire sites, but are able to fund lease payments through annual contracts. It should be noted
that there are some serious drawbacks to leasing, including difficulty in maintaining quality, cost and control over the long term.

Zoning Considerations
Zoning also must be carefully considered in making site selection decisions, since local zoning regulations can frustrate efforts to gain local approval. The project architect can analyze local zoning restrictions to help guide the site search. Using zoning maps, it is possible to identify areas in which to develop a proposed project “as-of-right” — that is, without a zoning variance. If possible, it is advisable to limit the site search to these areas, since the process of seeking and being granted a zoning variance will add time and uncertainty to the development efforts. It may give any opponents to the project additional opportunities, and additional leverage, to block the planned development.

It is often impossible to find suitably priced sites that are politically acceptable to a community that don’t require zoning approvals or discretionary action by a local planning board or commission. If this is the case, a critical aspect of the due diligence will be to work closely with city planning staff to identify what discretionary actions will be needed and how long the process will take.

Community Acceptance
The potential for community opposition to a proposed development should be considered as the site search is being conducted. Depending upon the assessment of community and political support in a given neighborhood, as well as the strength of relationships with local leaders and organizational capacity, this issue may be addressed once a site that meets the project’s needs and criteria has been identified. In planning for the siting of new projects, there are significant issues that can create community acceptance problems that should be considered when identifying potential neighborhoods/blocks for development, including:

- **Outsider Organization** — Non-profit sponsors that select sites in neighborhoods in which they do not operate housing or programs may be identified as outsider organizations. Neighborhood leadership, who would prefer local sponsorship, may not give the project a fair hearing. This may be a screen for simply opposing the project, rather than the sponsorship, or it may be a distrust of outside organizations unknown to the neighborhood. Faced with such challenges in a specific neighborhood, it may be best to seek out well-regarded, community-based partners with whom to work. Such a partnership can take many forms, from using the local organization as the services provider, property manager or co-developer, or limiting the role to focus on community outreach and education.

- **Fair Share/Saturation** — In some circumstances, community members may claim that their neighborhood is being asked to accept more than its “fair share” of supportive housing and/or other housing programs and services. They may feel “saturated” with similar projects and are becoming “impacted” communities. Some cities, like New York, have fair share plans that will divert new supportive housing and other housing programs and services away from neighborhoods that are defined as “impacted” by having an unequal share of the citywide homeless services and housing programs. If such concerns are raised, it is critical to assess whether saturation claims are legitimate or overstated and to work
with local officials to evaluate this issue. In areas where such claims seem legitimate, it may be wise to consider other locations without concentrations of similar projects. On the other hand, if research indicates that there is no fair share issue, these results should be publicized to disarm the issue.

- **Scale/Impact** — The scale of a supportive housing project can have an undue impact on a neighborhood, and this impact needs to be considered in siting new projects. For example, a large project in a low-density residential area could have an adverse impact and would likely attract opposition from neighbors.

- **Contextual Design** — Related to scale/impact, the design of supportive housing projects should be sensitive to the neighborhood context. Largely an architectural issue, designs should respect the scale, historic quality, setback/street line and architectural styles in the immediate area. Residents can more easily reject plans that do not fit into the context of the neighborhood. The design should communicate the goal of integrating the project into the neighborhood.

- **Available Neighborhood Services** — Projects should be sited in neighborhoods that have access to the required supportive services for the project’s target population (e.g., mental health services) that will not be available on-site. Without the availability of these services, the project could become vulnerable to community claims that tenants will not be able to access needed support and could pose a threat to the community.

- **Private Open Space** — While not a requirement for siting supportive housing, the ability to provide private open space for the exclusive use of tenants can help ease the introduction of new projects, and it is also a nice amenity for tenants. The provision of these spaces, which can be a landscaped garden or seating or recreation area, can disarm community concerns that new tenants will congregate in front of the building.

- **Zoning** — As noted in earlier in this section, zoning can be a key factor in successfully siting new projects. Some of the key aspects of a zoning analysis include evaluating parking requirements, and height and density restrictions for the proposed site. Local governments sometimes use zoning requirements to thwart projects housing the formerly homeless or providing related services. The project architect and attorney determine whether the project can comply with zoning requirements. Therefore, it is clearly preferable to avoid the need for a zoning variance when possible, and to proceed “as of right.” Moreover, some local zoning laws may violate federal fair housing laws, and they may be vulnerable to legal challenges from advocates for the homeless.
Engaging in the Site Search

There are several different strategies for engaging in the site search process, including:

Exploring Diverse Potential Sources of Sites

There are numerous sources of potential sites, and discussions with experienced non-profit developers and local housing agency staff often yield the most promising sources and contacts. Among the general categories of sites to consider are:

- **Privately owned sites that are “on-the-market” or available for lease**: Usually found through real estate brokers, these are the most common source of sites, but are not always the best. A site search should not be limited to “listed” sites.

- **HUD and FHA-foreclosed property**: Organizations can contact the regional HUD and/or FHA offices and request lists of sites in the target areas. HUD may be a good source, since it can sell distressed properties (both multi-family and single-family) directly to non-profits at below-market prices, and may be sympathetic to the project’s mission. FHA generally offers single-family houses that were FHA-insured and in which the owner defaulted on the mortgage.

- **Bank foreclosures**: Most private banks maintain lists of “real estate-owned” (REO) properties that they are trying to sell to recover their mortgage. They tend to sell at market prices, though they may be willing to discount sales to a non-profit to gain Community Reinvestment Act (CRA) credit.

- **Publicly owned property taken for tax arrears**: Most municipalities will foreclose on properties that have extensive tax arrears and then offer them for sale (sometimes by auction). Some cities, including New York, have transferred properties in tax arrears directly to new responsible third parties. Local or state public agencies, including public housing authorities also may have surplus properties tracked for disposition (and support from locally elected public officials can help encourage this approach).

- **Religious properties**: Religious institutions may have surplus properties such as convents or parochial schools that can be sold or leased to non-profit sponsors. This source can be attractive since they are likely to support the mission of sponsor organizations, and may sell at below-market prices.

Using a Real Estate Broker

It may prove useful to work with a real estate broker to help with your site search, since they are often knowledgeable about the residential real estate market, including the multifamily housing development market. It may be best if the broker is a “buyer’s broker” who will only represent the purchasing organization’s interests rather than those of the seller. However, there are a number of disadvantages to using brokers, including:

- They don’t always know the market that you are looking in, as their experience may lie with more expensive real estate or commercial properties;
They can only show properties that are on the market, whereas your own research could locate better sites that are not yet technically on the market, but may be available if the owner is approached.

Even if they act as a “buyers broker,” their allegiances may still be with the seller due to prior or prospective business relationships.

Brokers charge a fee once the property closes, adding to the cost of acquisition, although the seller can absorb these costs, if negotiated into the purchase contract.

They may not fully understand the site selection criteria, and may refer sites that are inappropriate, thereby wasting time and resources.

Brokers may not be helpful or knowledgeable about leasing opportunities.

In selecting a broker, consider the following:

- Do they have recent residential experience in the targeted neighborhood(s)?
- Are they willing to act as a “buyer’s broker” and sign an agreement spelling out their obligations?
- Do they have access to all listings, whether through the multiple listing service or relationships with other listing brokers?
- Is their commission competitive?
- Do they have experience brokering leases as well as sales?
- Do they have good relations with leading landlords and owners?
- Have they worked with other non-profits (check references) and are they motivated?

**Conducting a Site Search Independently**

An organization with sufficient staff may find it preferable to conduct its own site search, rather than being dependent on a Broker, especially if focused on a single neighborhood or area. An organization also might consider engaging a development consultant to undertake the site search if it does not have the in-house capacity, while ensuring that the consultant has the knowledge and track record to perform these activities effectively. Strategies for conducting a site search without a broker include:

- *Conducting a “windshield survey”* by driving or walking around the target neighborhood(s), noting any sites that meet the requirements, including possible buildings for lease.
- *Researching property ownership* and sales history at the municipal offices that hold property ownership data and record deeds.
- *Contacting owners* and determining their intentions for the property (i.e., are they willing to sell, and if so, at what terms).